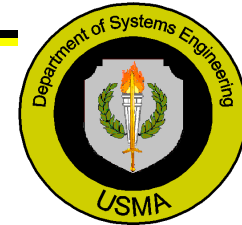


Enhanced Use Leasing

ORCEN Research

28 JUN 02

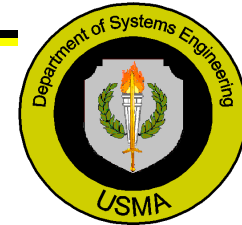
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Agenda

- **Project Background & Goals**
- **Barriers to EUL Implementation**
- **Documenting the Process**
- **Objectives for What to Lease**
- **Developer Selection Tool**
- **Summary and Recommendations**
- **Future Project Proposal - Threat & Vulnerability Assessment Tool**

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Enhanced Use Leasing ORCEN Project Goals

To propose process guidance that assists installation commanders in implementing enhanced use leasing.

To propose a tool to aid installation commanders in the selection of qualified developers.

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Implementing Enhanced Use Leasing

- **Motivation**
 - **Installation Commander Tour Lengths**
 - **Up front costs (resources & personnel)**

- **Regional Headquarters**
 - **Provide Continuity**
 - **Leverage Experience**

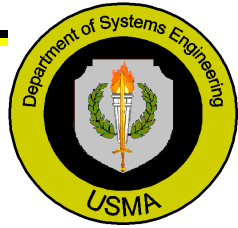
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Implementing Enhanced Use Leasing

- **Risk**
 - **Financial Risk**
 - **Project Completion Risk**
 - **Market Risk**
- **Shared Risk**
- **Assess Early and incorporate into plan**

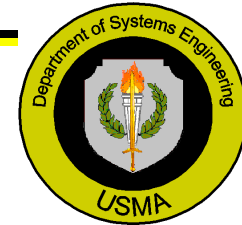
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Documenting the Steps Objectives

- **Goals for presentation**
 - **Common Tool**
 - **Easily Tailored**
 - **Identifies more than just steps**

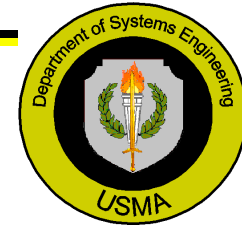
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Documenting the Steps

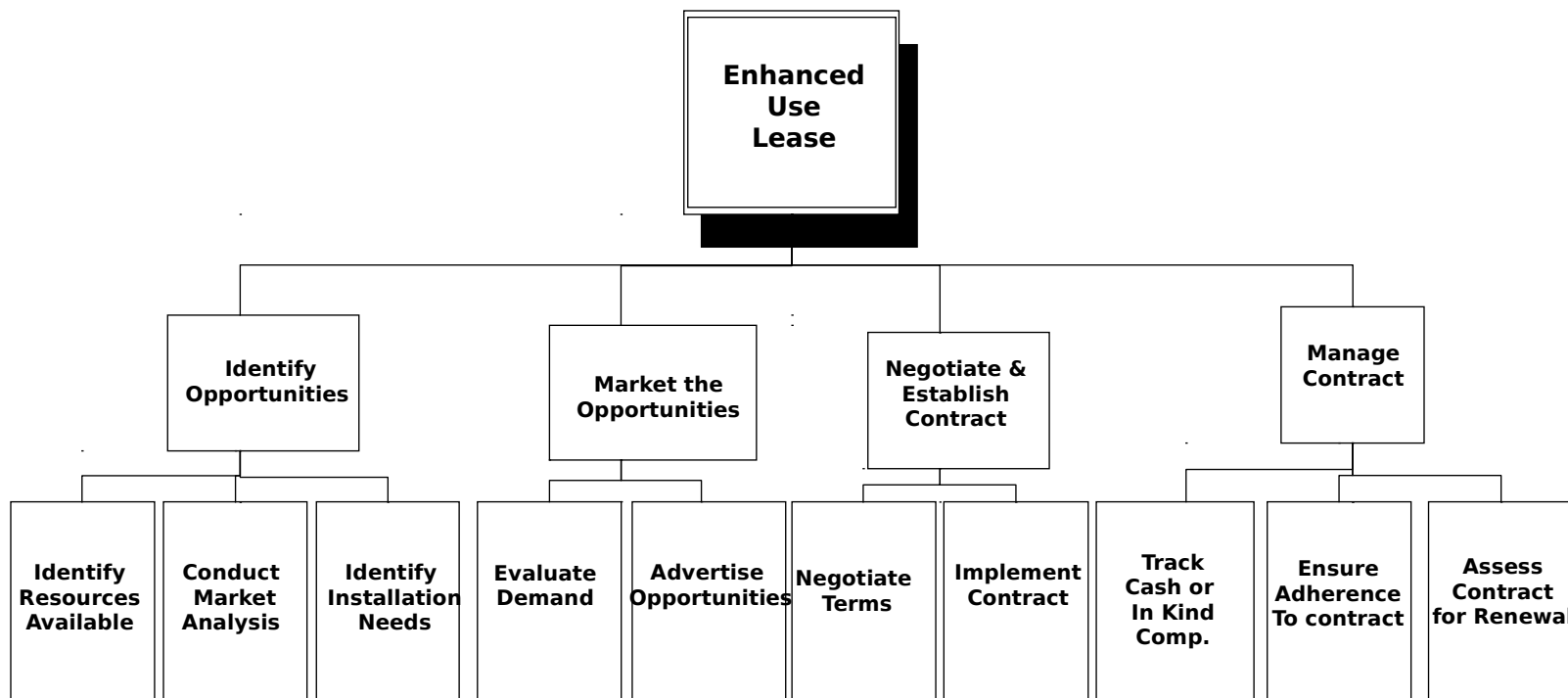
- **Some Alternatives**
 - **Flow Diagram**
 - **Work Breakdown Structure**
 - **Checklist**

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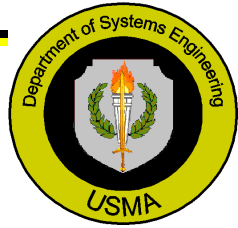


Enhanced Use Leasing

The Process



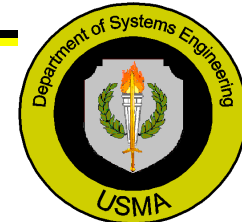
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Documenting the Steps

- **Key Knowledge Fields**
 - **Action**
 - **Responsibility**
 - **Coordinating/Supporting Agencies**
 - **References/Regulations**
 - **Areas to Consider/Lessons Learned**
 - **Potential Risks**

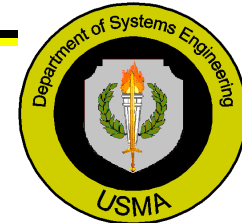
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Enhanced Use Leasing The Process

ACTION	RESPONSIBILITY	COORDINATING/ SUPPORTING AGENCIES	REFERENCES, REGULATIONS, AIDS	AREAS TO CONSIDER/LESSONS LEARNED
IDENTIFY POTENTIAL PROPERTY				
Create a business office or project team responsible for EUL	Installation			
Identification of EUL Targets of Opportunity	Installation		AR 210-20, RPLANS, Space Utilization, AR 405-	
Propose a project for approval	Installation	ACSIM, USACE		
Community support and ideas	Installation	Local Chamber of Commerce		Are there already requests from developers?
Description of project	Installation			Type of facility & Potential Uses
Link to current mission	Installation	MACOM		
Identify Scope of project	Installation	ACSIM		Timeline
Determine Historic Impact	Installation	Office of Historic Properties	National Historic Preservation Act, AR 200-4	Potential Tax Incentives
Assess Any Environmental Issues	Installation		National Environmental Protection Act, AR 200-1, AR 200-2, AR 200-3	Baseline Installation Survey, Finding of Suitability to Lease, NEPA Documentation
Anticipate challenges and/or obstacles	Installation	Consult other EUL project representatives		Infrastructure, Supporting Facilities
Request Market Analysis and Feasibility Study from USACE	Installation	USACE		Market Value must be current. Appraised market value is the minimum value for the lease.
Estimate Project and Development Costs	Installation	USACE		Include all remediation necessary
Determine Market Value	Installation	USACE		
Determine Potential In Kind Services Desired	Installation	USACE	AR 210-20, AR 405-10, ASA FM&C Installation Guide on Sale and Outlease of Army Assets	

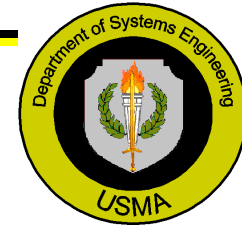
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Enhanced Use Leasing The Process

ACTION	RESPONSIBILITY	COORDINATING/ SUPPORTING AGENCIES	REFERENCES, REGULATIONS, AIDS	AREAS TO CONSIDER/LESSONS LEARNED
MARKET THE PROPERTY FOR APPROVAL TO LEASE				
McKinney Act Screening	Installation		McKinney-Vento Homeless Assistance Act, 42 USC 11411	
Prepare Report of Availability	Installation	Regional HQ	AR 405-80	Skeleton ROA may be appropriate if project is defined and non-controversial
Submit ROA to Regional HQ	Installation	Regional HQ	AR 405-80	
Submit ROA through ACSIM to DASA (I&H) if required	Regional HQ	ACSIM, DASA I&H	AR 405-80	
Make Determination of Availability	Regional HQ or DASA (I&H)		AR 405-80	Regional HQ make DOA on projects with annual FMV less than \$500,000 and as long as the in kind consideration is located at the same installation (2nd installation also prepares ROA)
Prepare Full Report of Availability	Installation		AR 405-80	Includes Environmental Baseline
Prepare Notice of availability to lease	Installation			
Prepare T-10 Report	USACE		Title 10 USC 2662	Only Required if annual FMV is greater than \$500,000
Submit T10 report through DASA (I&H) for Congress Approval	USACE	DASA I&H	Title 10 USC 2662	Only Required if annual FMV is greater than \$500,000
MARKET THE PROPERTY TO DEVELOPERS				
Advertise online in FEDBIZ	USACE	Installation	FedBizopps.gov	Link to web-based property description and report of availability to lease
Host Site Visits	Installation	Regional HQ		Visits allowed at installation commander's discretion
Host an industry conference	Installation	Selection Panel		May allow developers to partner
Evaluate Written Proposals	Installation	Selection Panel	Developer Selection Tool	
Sign Conditional Lease	Installation	Developer		

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Enhanced Use Leasing *The Process*

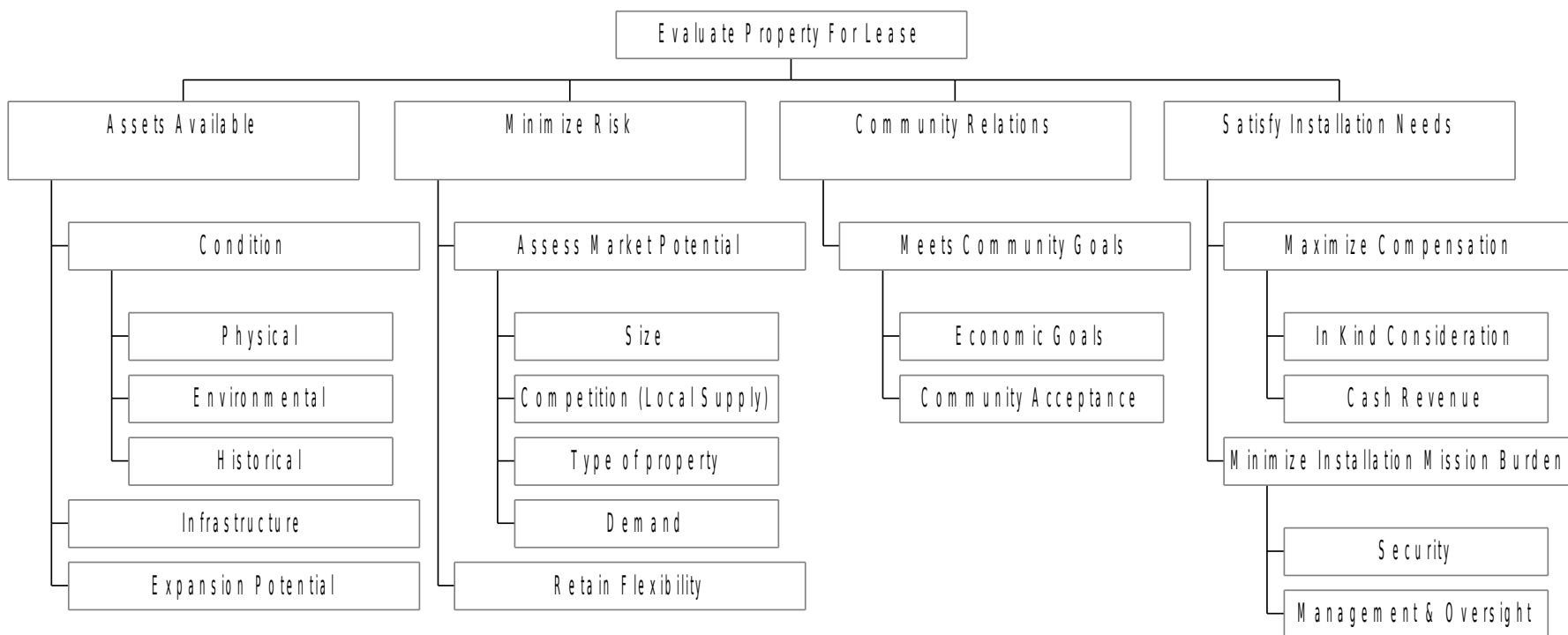
ACTION	RESPONSIBILITY	COORDINATING/ SUPPORTING AGENCIES	REFERENCES, REGULATIONS, AIDS	AREAS TO CONSIDER/LESSONS LEARNED
MANAGE LEASE				
Produce a Business and Leasing Plan	Developer & Installation			
Establish Financing strategies	Developer	Installation		
Establish Cash or In-Kind Services to be provided	Developer & Installation	MACOM, DASA I&H	AR 210-20, AR 405-10, ASA FM&C Installation Guide on Sale and Outlease of Army Assets	Get approval for in-kind consideration in the form of new construction if required
Establish Project Timeline and project management system	Developer & Installation	USACE		Work within already established developer system as much as possible
Submit Business and Leasing Plan for approval	Installation			
Approve Lease	DASA (I&H)			
Execute Lease	Developer & USACE			
Update real property records for lease	Installation		AR 405-45, IFS	
Update real property records for any in kind services	Installation		AR 405-45, IFS	
Ensure that proceeds are deposited into special treasury account	Installation	Finance and Accounting, USACE	ASA FM&C Installation Guide on Sale and Outlease of Army Assets	Ensure that accounts list 10 USC 2667 is contract authority

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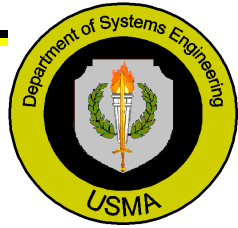


Objectives Hierarchy

What To Lease?



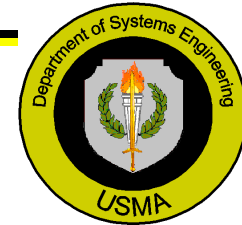
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Recommended Actions to Decide What to Lease

- **Early Independent Market Assessment**
 - **Assess potential uses (potential value)**
 - **Estimate Cash Flow Potential**
 - **Reference Community Master Plans**
- **Community Relations Council**
- **Use Automated Information Systems
to facilitate decisions (Regional HQ)**
- **Installation Master Plan**

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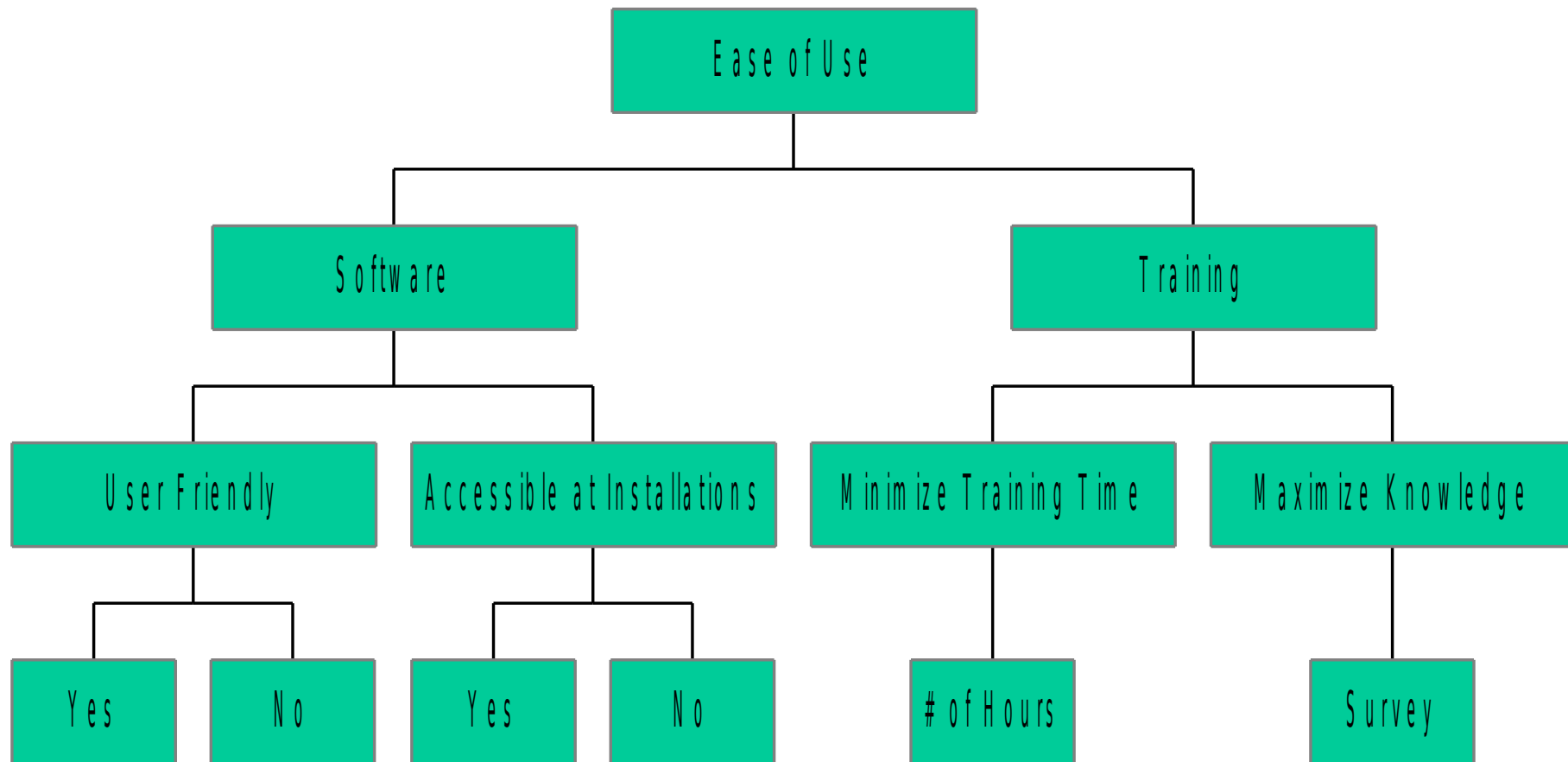
Selection Tool Objectives

- **To provide a selection tool for Installation Commanders to utilize when evaluating potential developers**
- **Selection tool will be efficient, and user-friendly**
- **Common computer-based software program**

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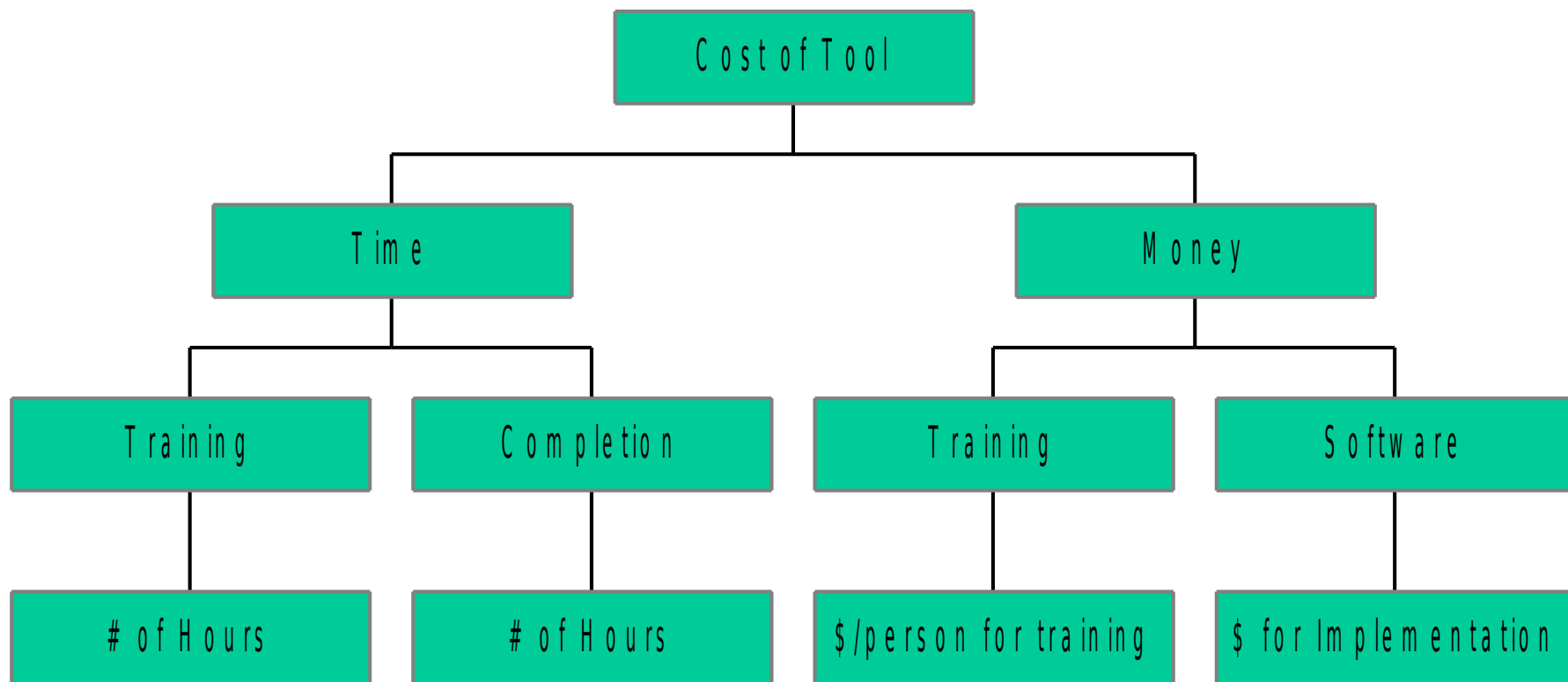
Ease of Use



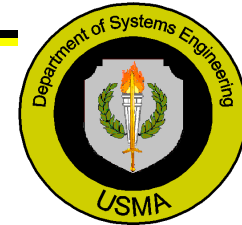
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Cost of Tool



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3 Steps to Use Selection Tool

1 Determine Weights

- Garrison Commanders and Staff

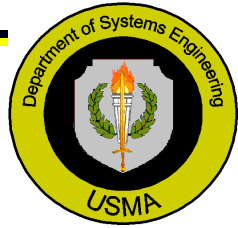
2 Evaluate Prospective Developers

- Selection Panel

3 Calculate Scores

- Based on Weights and Panel Evaluation

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Evaluation Criteria

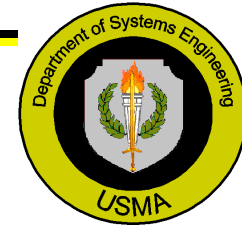
FT SAM HOUSTON (6)

- **Capabilities/Qualifications**
- **Relevant Experience / Past & present performance**
- **Experience in Financing Institutional projects and financial return expectations**
- **Experience with Historical Properties**
- **Experience in Community Relations**
- **Achievement of Army Goals**

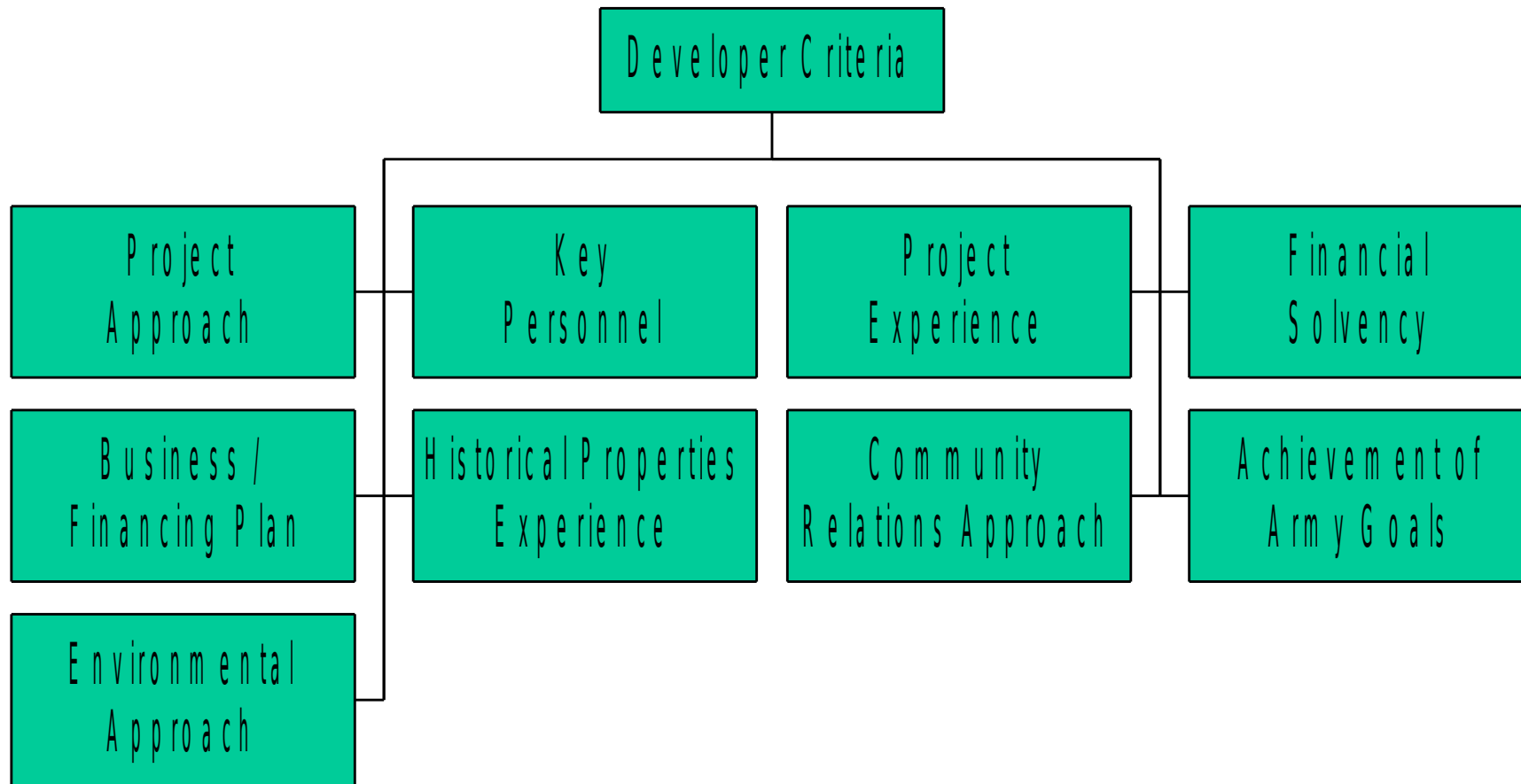
NEW SELECTION CRITERIA (9)

- **Project Approach**
- **Qualifications of Key Personnel**
- **Project Experience/History**
- **Financial Solvency**
- **Business/Financing Plan**
- **Historical Properties Experience**
- **Community Relations Approach**
- **Achievement of Army Goals**
- **Environmental Approach**

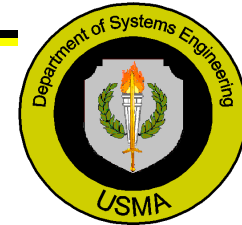
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Evaluation Criteria



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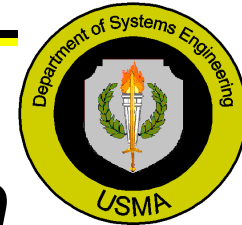


Step One

Installation Commander's Weights

	Rating 0 - 10	Weight
Project Approach	8	20.00
Qualifications of Key Personnel	6	15.00
Community Relations Approach	5	12.50
Achievement of Army goals	4	10.00
Project Experience / History	7	17.50
Financial Solvency	0	0.00
Business / Financing Plan	4	10.00
Historical Properties Experience	0	0.00
Environmental Considerations	6	15.00
	Total	100.00

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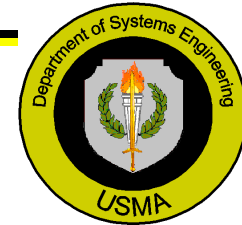


Step Two: Evaluation

Panel

- Legal representative
- Installation Commander
- District Army Corps of Engineers Representative
- Major Command (MACOM) Engineer
- DHPW (Department of Housing and Public Works)
- Cultural and Natural Resources officer
- Business Development officer
- Local Community Relations representative
- DASA (I&H) Representative
- Resource Management Representative
- Regional Installation Command Representative

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Selection Criteria

Project Approach - Project Approach measures the proposals the developer makes about his intentions for the lease or property. This category measures the following parameters for each developer: other works in progress, ability to respond to the Army during all phases of the project, organizational chart, ability to meet garrison commander's needs for in-kind services or cash, plan to compensate for distance from installation, and timeline.

Qualifications of Key Personnel - Key personnel are anyone who are critical to the completion of the project. This category includes the following sub-criteria: number of full time staff engaged in the project development, staffing plan, timetable for hiring additional staff, extent to which key personnel have worked together as a team, key personnel possess everything (knowledge, abilities, and skills) necessary for completing the project, and extent to the workers' availability and corporate commitment.

Community Relations Approach - The community relations approach assesses the developer's ability to work with the surrounding community. Developers are rated based on their experience working with the community in past projects and their current approach in managing relations with the surrounding community.

Achievement of Army Goals - This criterion measures how well the developers can achieve all the goals of the Army and installation. It will measure how the developer will help alleviate some of the base costs of the installation, maximize benefits to soldiers, and provide an enriched environment for the soldiers and their families.

Project Experience / History - Project Experience / History will have a score based on the developer's references and how many past projects the developer has completed.

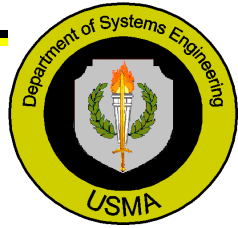
Financial Solvency - Financial solvency looks at the developer's credit history, book value of the firm, and firm size. It also looks at the value of past projects.

Business / Financing Plan - The business / financing plan evaluates the developer's plan for possible tenants, any past loans, and self-funded projects.

Historical Properties Experience - If the property is a historical site, this criterion is important. It relies on past experience, the developer's approach to the National Historical Preservation Act, and if the developer has Heritage Preservation Certification.

Environmental Approach - The environmental approach looks at whether the developer has had any environmental defects in the past and if they follow the National Environmental Conservation Policy.

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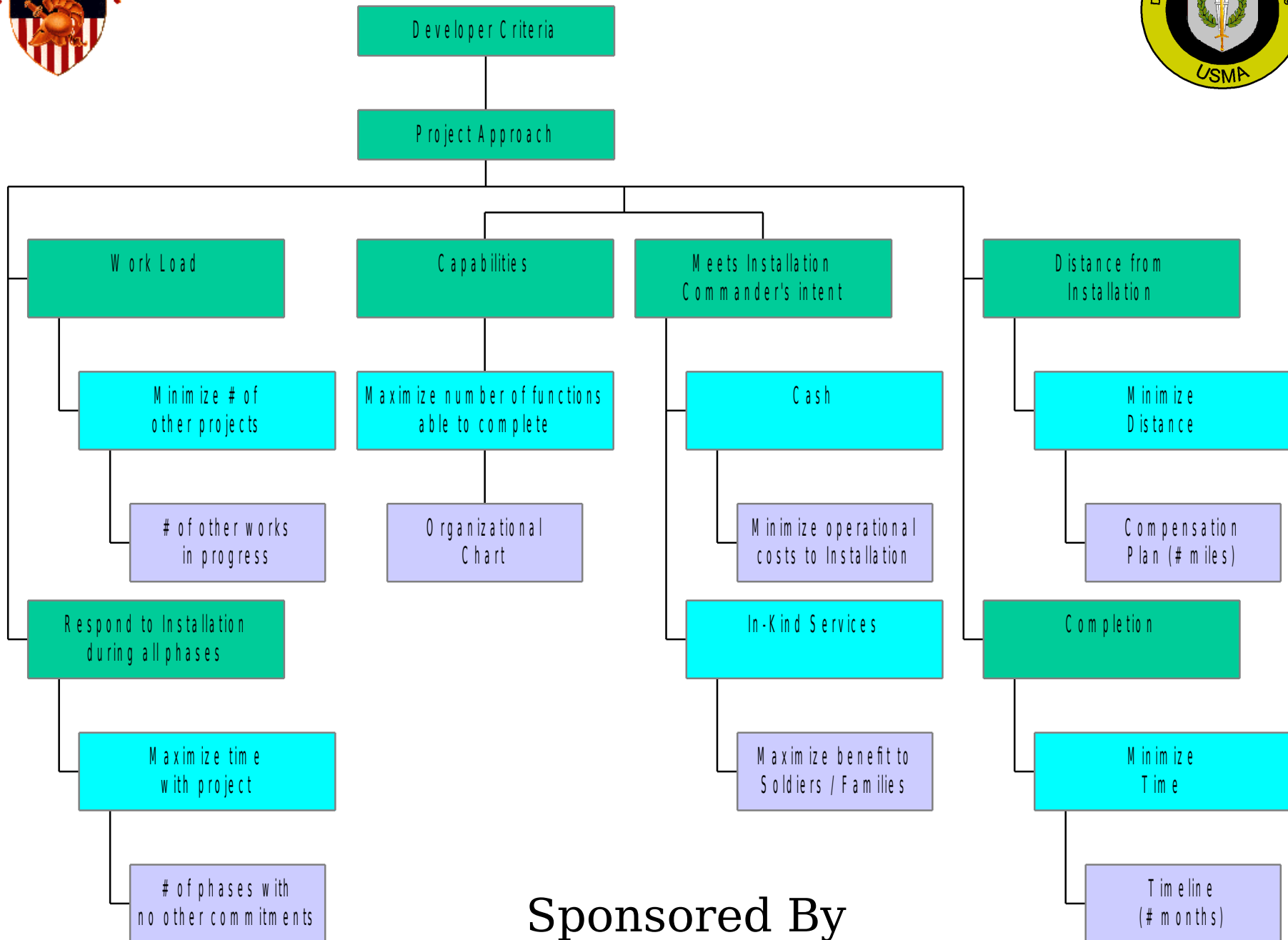
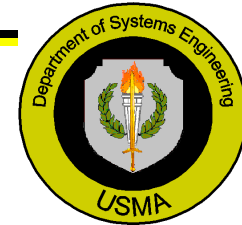
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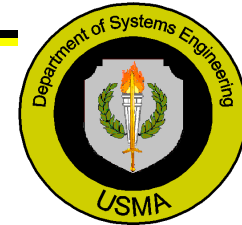
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- **Qualifications of Key Personnel**
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- **Environmental Approach**

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United States Military Academy

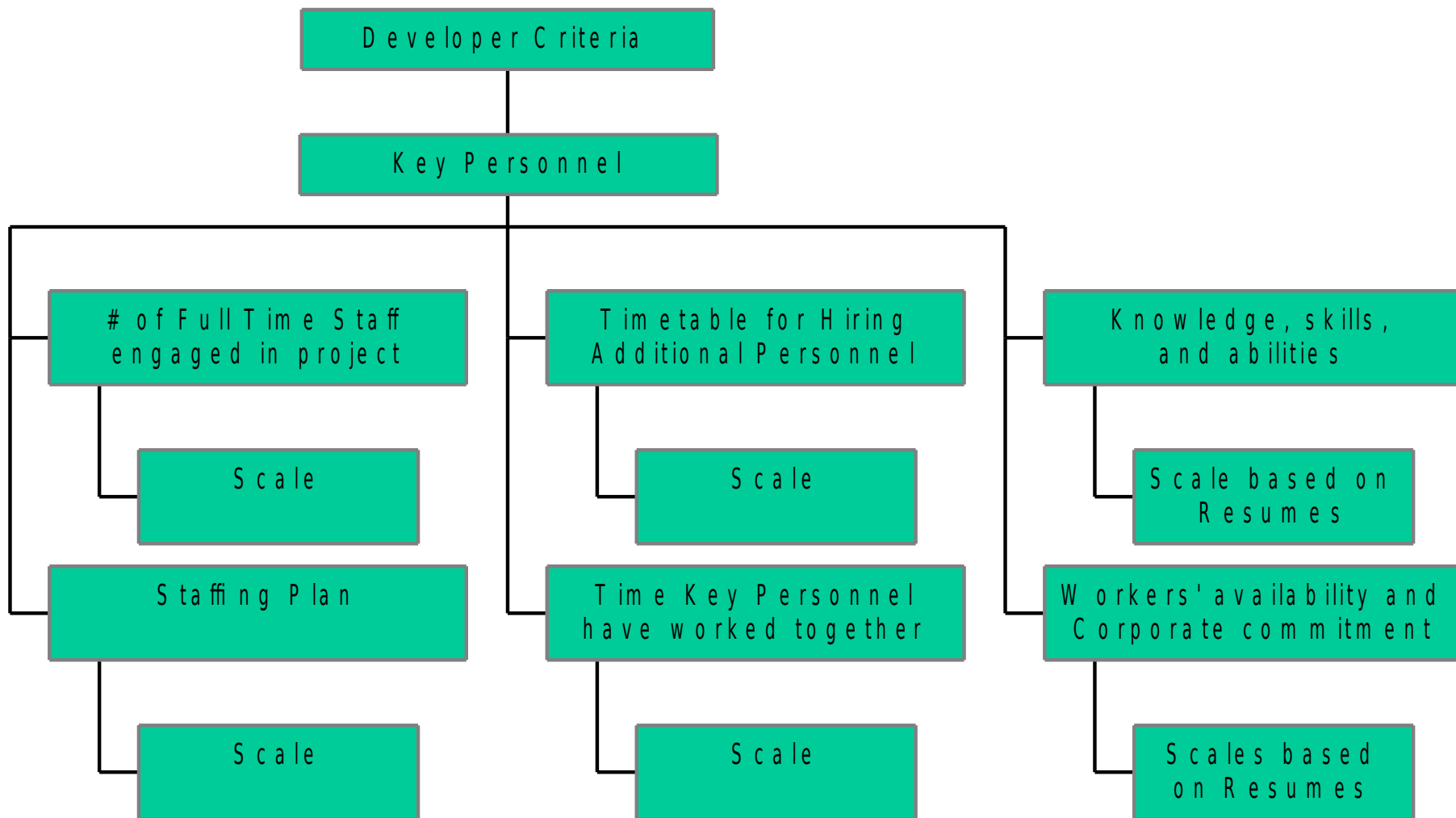
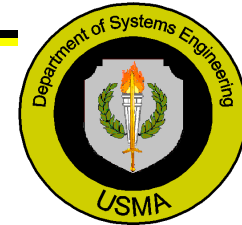




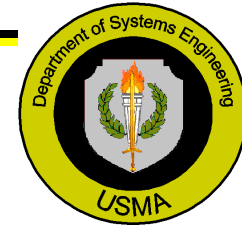
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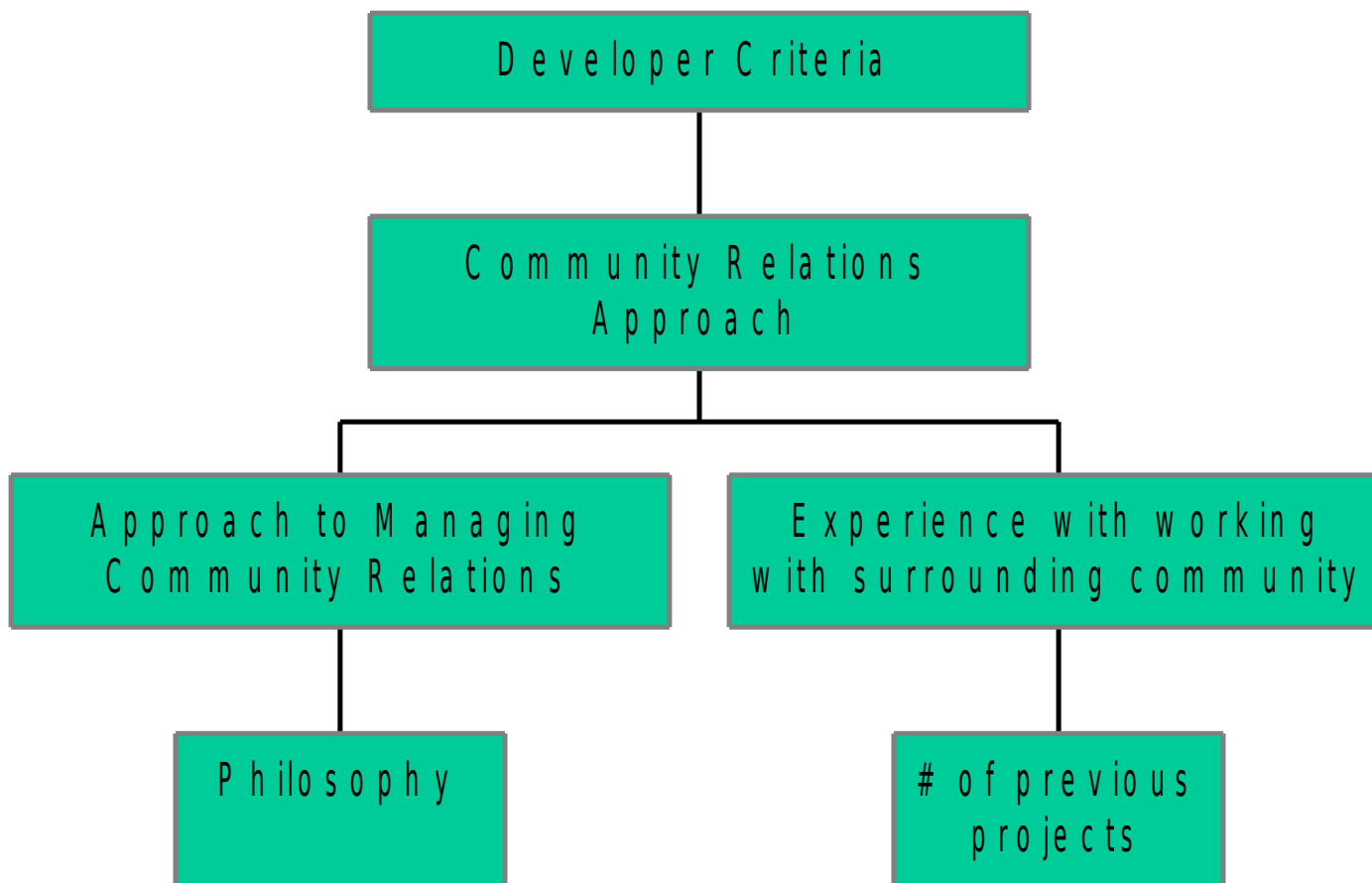
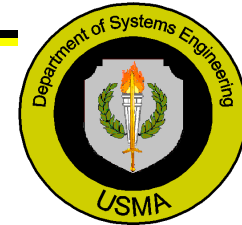
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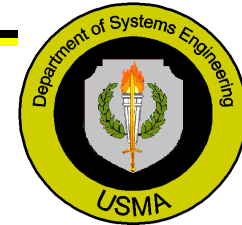
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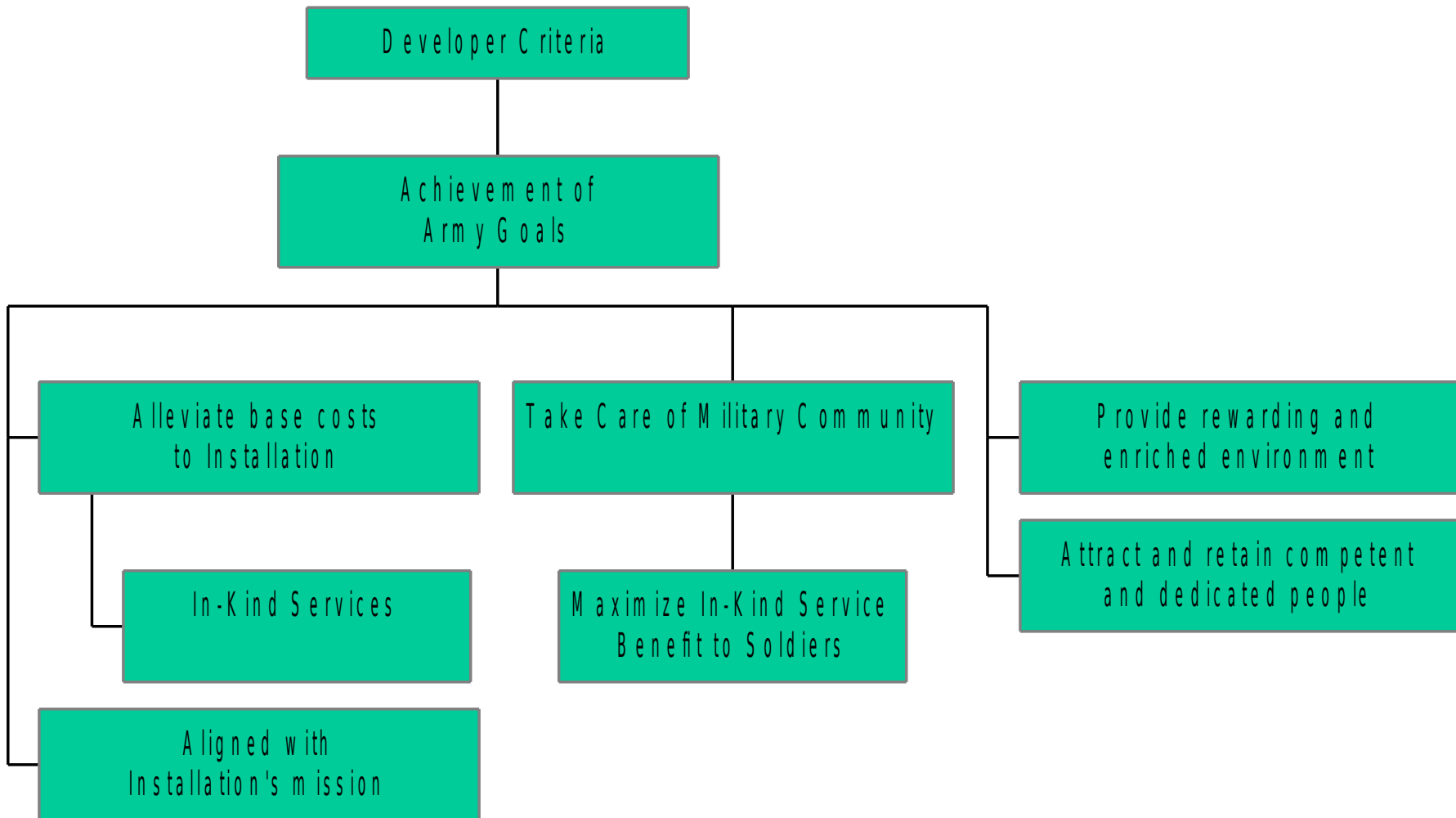
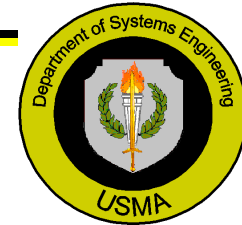
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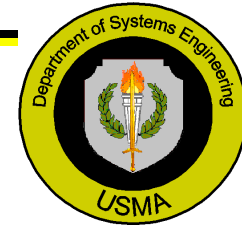
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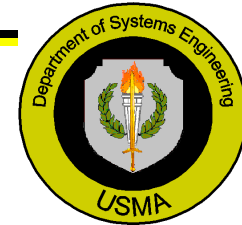
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Developer Criteria

Project Experience /
History

State Economic
Development Member

yes / no

References view
on quality

yes / no

Reference view
on deadlines

yes / no

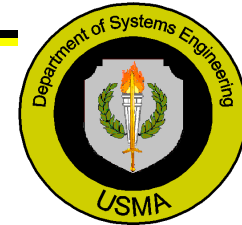
large projects in
last 10 years

number of
projects

government projects
in last 10 years

Number of
Projects

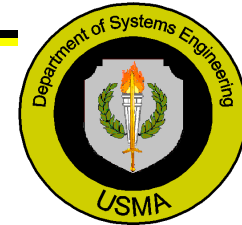
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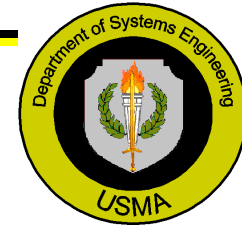
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Financial Solvency

- Average value of projects in last ten years (\$)
- Clean credit history? (binary)
- Average length of construction past ten years (# yrs)
- Average length of lease past ten years (# yrs)
- Book value of firm (\$)
- Firm size
 - Net assets (\$)
 - Net income (\$)
 - Total number workers (#)

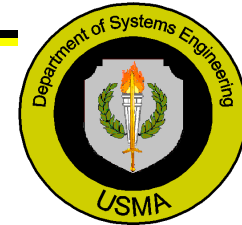
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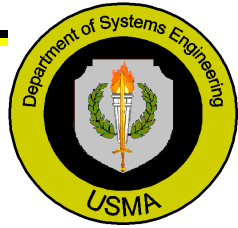
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Business / Financing Plan

- Has the developer created a plan for tenants (Qualitative approach)
- Number of loans obtained in past ten years (#)
- Number of loans paid in past ten years (#)
- Number of projects self-funded in past ten years (#)
- Average value of self-funded projects in past ten years (\$)
- Loan prequalification member (binary)

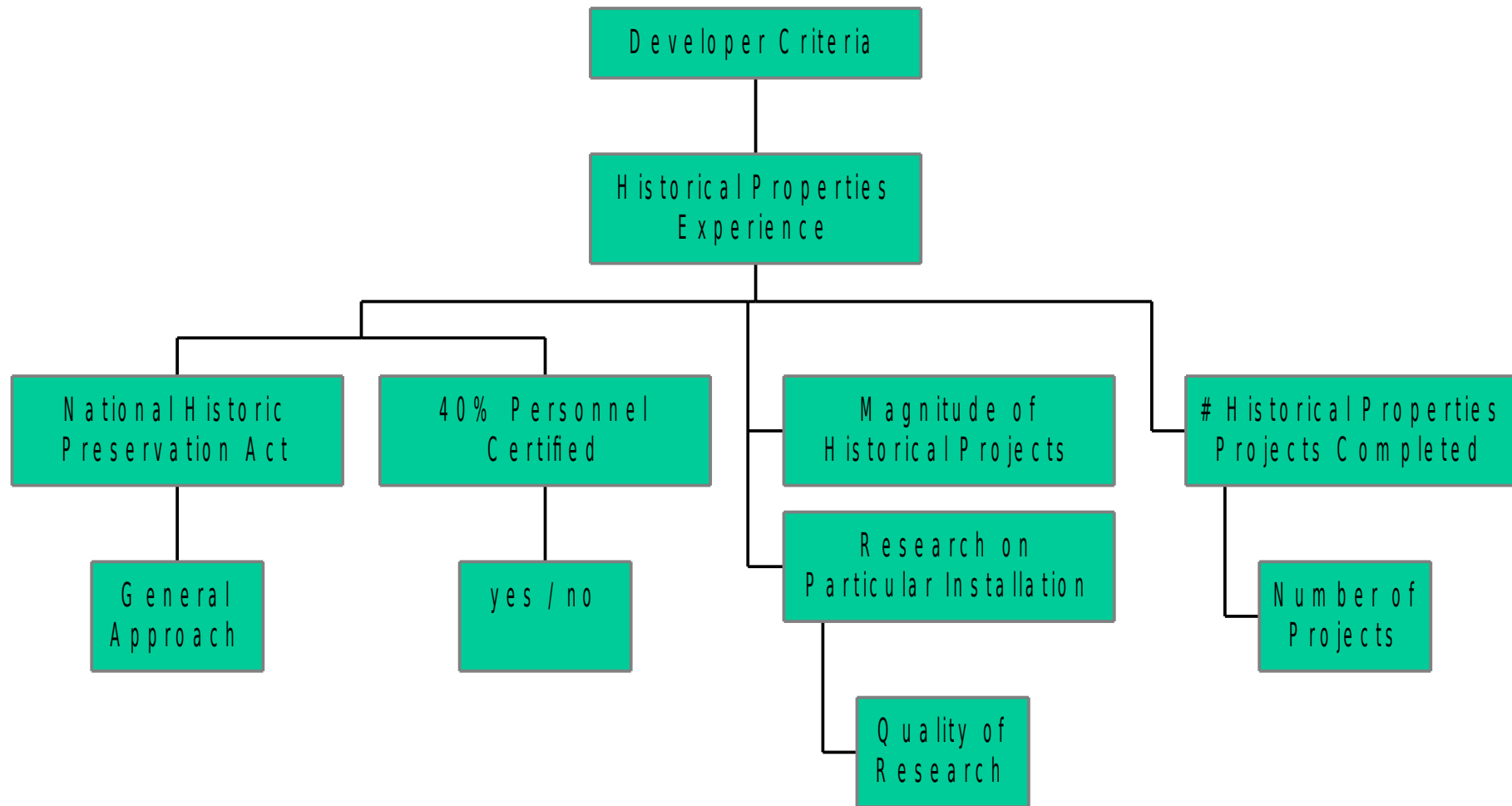
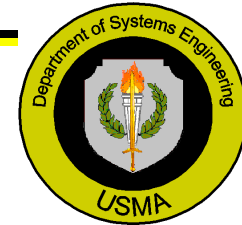
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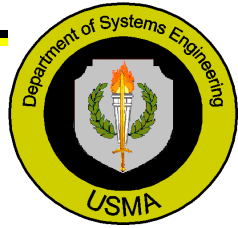
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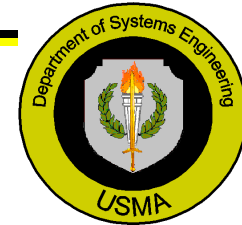
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Historical Properties Experience

- Quantitative
 - Number of historical projects completed in past ten years (#)
 - Magnitude of historical projects in past ten years (\$)
 - Heritage Preservation Certification
- Qualitative
 - Approach to National Historical Preservation Act

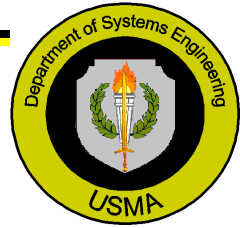
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Selection Criteria

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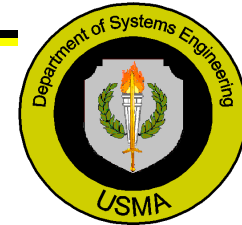
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Environmental Approach

- Quantitative
 - Have all completed projects had zero environmental defects?
 - Number and magnitude of reusable products
- Qualitative
 - Do company actions follow the National Environmental Conservation policy?

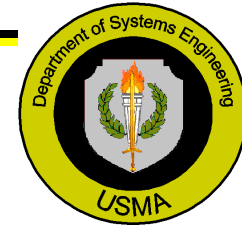
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Step Three

Project Approach	4.00	2.00	2.00	5.00	4.00	3.00	2.00	3.00	2.00	5.00	3.2
Qualifications of Key Personnel	3.00	3.00	3.00	3.00	4.00	3.00	3.00	2.00	4.00	2.00	3
Community Relations Approach	2.00	3.00	4.00	4.00	3.00	4.00	5.00	3.00	4.00	5.00	3.7
Achievement of Army Goals	3.00	4.00	4.00	4.00	3.00	5.00	4.00	3.00	3.00	4.00	3.7
Project Experience / History	2.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3
Financial Solvency	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.9
Business / Financing Plan	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.9
Historical Properties Experience	3.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.2
Environmental Approach	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.9
											Total
Weighted Total	2.50	3.00	3.32	3.55	3.23	3.41	3.27	2.91	3.09	3.59	32

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Summary

- **Core Competencies**
 - **Army not poised to best leverage the value in our real estate**
 - **Level of expertise**
- **Roles and Responsibilities**
 - **Effect of Regional Installation Headquarters**
- **Level of Use and Implementation**
 - **Focus on historical properties**
 - **Process will be streamlined as more projects evolve**

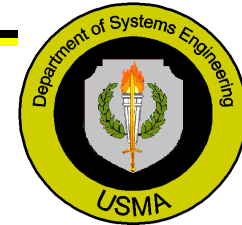
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EUL Recommendations

- Distribute/Publish Excel Process Tool
- Validate and Implement Developer Selection Tool
- Establish Panel composition
- Engage Regional Headquarters
- Syracuse University Comptroller Work

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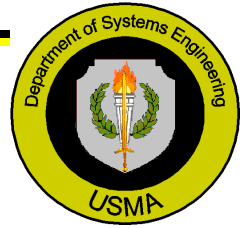
Threat and Vulnerability Assessment Tool

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Problem Statement



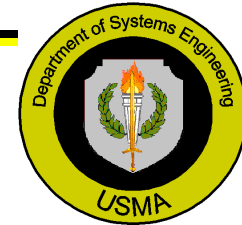
Develop a threat and vulnerability assessment tool for a commercial insurance agency in order to assess the level of risk of potential clients.

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Areas of Assessment

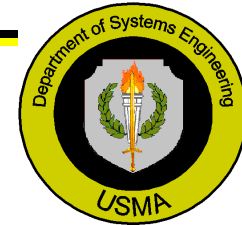


- Industry
- Location
- Vulnerability
- Corporate Security Planning
- Physical Security
- Personnel Security
- Training
- Services

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Assessment Hierarchy



Industry

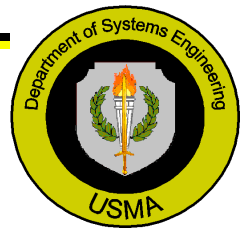
Location: City State

Area 1: Vulnerability	Area 2: Corporate Security Planning	Area 3: Physical Security	Area 4: Personnel Security	Area 5: Training	Area 6: Services
<div><div>Q₁</div><div>Q₂</div><div>Q₃</div><div>Q₄</div><div>.....</div><div>QZ</div></div>	<div><div>Q₁</div><div>Q₂</div><div>Q₃</div><div>Q₄</div><div>.....</div><div>QZ</div></div>	<div><div>Q₁</div><div>Q₂</div><div>Q₃</div><div>Q₄</div><div>.....</div><div>QZ</div></div>	<div><div>Q₁</div><div>Q₂</div><div>Q₃</div><div>Q₄</div><div>.....</div><div>QZ</div></div>	<div><div>Q₁</div><div>Q₂</div><div>Q₃</div><div>Q₄</div><div>.....</div><div>QZ</div></div>	<div><div>Q₁</div><div>Q₂</div><div>Q₃</div><div>Q₄</div><div>.....</div><div>QZ</div></div>

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Industry Type Methodology

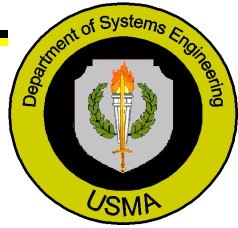


- Industry Rated on a scale of 1- 10 based on # of incidents
 - Airline Transportation= 1
 - Financial Services= 3
 - Rail Transportation= 5
 - Petrochemical= 6
 - Defense Manufacturing= 7
 - General Manufacturing= 8
 - Construction= 9
 - Highway Transportation= 10

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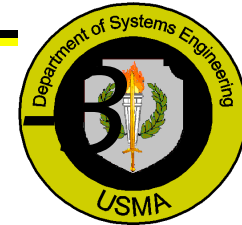


Weighting



- Allows the client to determine the relative importance of questions and areas
- Each question has an assigned weight
- Each area has an assigned weight
- Weights assigned by the client using a swing weighting methodology

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Swing Weights: Steps 1

- Create a table of alternatives in which a given question is assessed at its highest possible score, while all other questions receive their worst score
- Rank these alternatives (1,2,3...)
- Rate the alternatives – 1st ranked receives highest rate
- Calculate the weight for each question:
 - Sum all of the rates ($\sum r_i = R$)
 - Divide each rate by the sum of the rates ($W_i =$

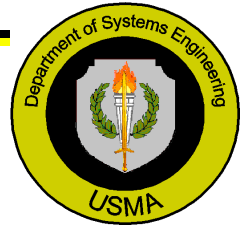
r_i / R) **Vulnerability**

Alternative	Question	Rank	Rate (r_i)	Weight (W_i)
1	Benchmark (worst on all questions)	--	0	
2	Is your corporation located near a major highway?	3	70	
3	How many employees work at your location?	4	40	
4	The corporation receives a lot of media attention. (1-5)	2	80	
5	How many other companies do you share your building with?	5	30	
6	Does your company do business internationally?	1	100	
			$\sum r_i = R = 320$	

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United States Military Academy *Answering/Scoring*



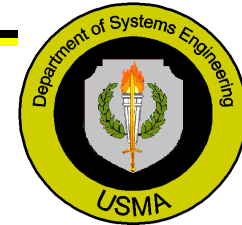
- Each question is answered 1-5 or yes/no
- Best = 5; Worst = 1
- The user clicks on the option button that represents the answer
- Normalize the scores:
$$U_i = (X_i - X_{lo}) / (X_{hi} - X_{lo})$$
- E.g. Answer 4 = $(4-1)/(5-1) = .75$
- Calculate an Area Score = $\sum U_i W_i$

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Area Weights



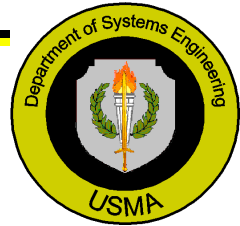
Overall Threat and Vulnerability Assessment

Area 1 Weight: Location	Area 2 Weight: Industry	Area 3 Weight: Vulnerability	Area 4 Weight: Physical Security
3.68%	2.31%	3.27%	3.13%
Area 5 Weight: Personnel Security	Area 6 Weight: Security Plan	Area 7 Weight: Training	Area 8 Weight: Services
3.00%	2.04%	0.94%	1.63%

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Assessment Hierarchy



Industry Area Score: .90
Area Weight: .21

City State Area Score: .95
Area Weight: .15

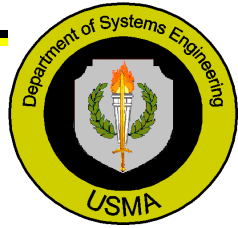
Area 1: Corporate Vulnerability	Area 2: Security Planning	Area 3: Physical Security	Area 4: Personnel Security	Area 5: Training	Area 6: Services
<div>Q₁</div> <div>Q₂</div> <div>Q₃</div> <div>.....</div> <div>Q₇</div>	<div>Q₁</div> <div>Q₂</div> <div>Q₃</div> <div>.....</div> <div>Q₇</div>	<div>Q₁</div> <div>Q₂</div> <div>Q₃</div> <div>.....</div> <div>Q₇</div>	<div>Q₁</div> <div>Q₂</div> <div>Q₃</div> <div>.....</div> <div>Q₇</div>	<div>Q₁</div> <div>Q₂</div> <div>Q₃</div> <div>.....</div> <div>Q₇</div>	<div>Q₁</div> <div>Q₂</div> <div>Q₃</div> <div>.....</div> <div>Q₇</div>
Overall Area Score: <u>.80</u>	Overall Area Score: <u>.85</u>	Overall Area Score: <u>.76</u>	Overall Area Score: <u>.65</u>	Overall Area Score: <u>.95</u>	Overall Area Score: <u>.86</u>
Area Weight: <u>.10</u>	Area Weight: <u>.05</u>	Area Weight: <u>.15</u>	Area Weight: <u>.15</u>	Area Weight: <u>.15</u>	Area Weight: <u>.04</u>

Overall Threat and Vulnerability Score: 84% = $\sum W_i A_i$

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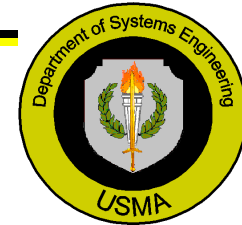


United States Military Academy *Army Application*



- Installation Risk Assessment/Threat Vulnerability Tool
 - New module for ISR

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Questions?

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